

Q4 2016



City of Upland Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Upland In Brief

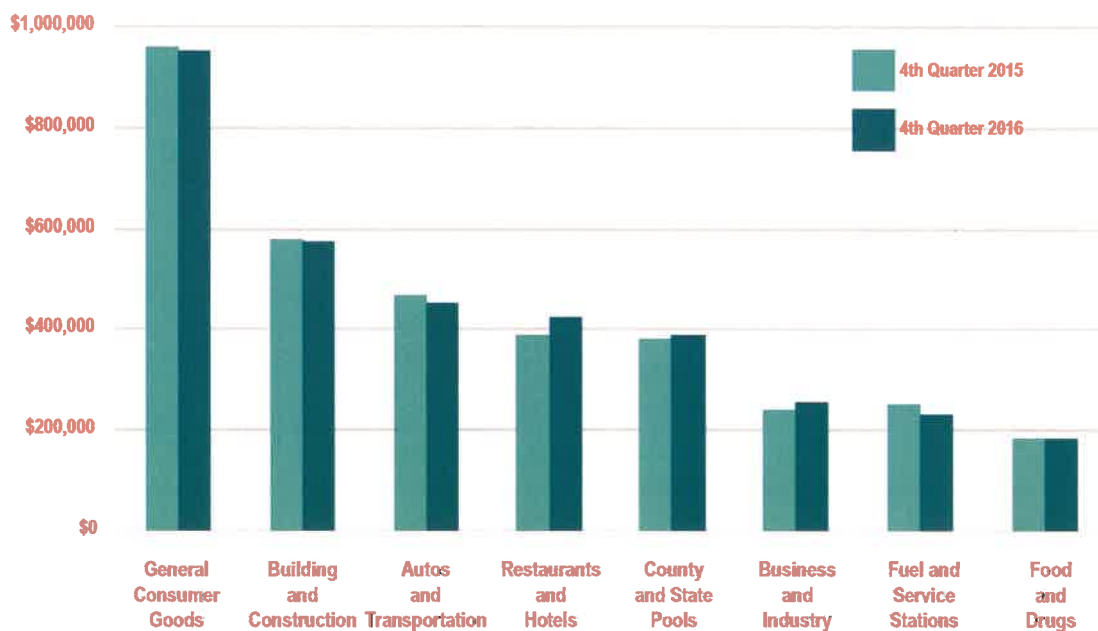
Upland's October through December receipts were 0.8% above 2015's fourth quarter results. Excluding reporting aberrations, actual sales were down 0.4%.

Only business and industry, restaurants and hotels and food and drugs were up on a cash receipts basis. Late-arriving receipts buoyed business and industry totals which were down once reporting aberrations were removed. New business openings boosted restaurant results which were a bright spot for the quarter. Building and construction and food and drugs proceeds were little changed.

Business closures contributed to poor general consumer goods receipts. Analyses of the raw data showed that actual sales were lower than they appeared because of onetime accounting adjustments. Low oil prices continued to depress results from the fuel and service station category. Autos and transportation proceeds dipped as countywide and statewide sales were up.

Net of aberrations, taxable sales for San Bernardino County and its cities grew 1.4% compared to the year-ago period; the Southern California region was also up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Nordstrom Rack
AT&T	Sign Development
Bed Bath & Beyond	Stater Bros
BevMo	Stellar Industrial Supply
Chevron	Target
Dick's Sporting Goods	TJ Maxx
Ford of Upland	Toys R Us
Holliday Rock	USA Gasoline
Home Depot	Verizon Wireless
Kohls	Vons
Lowe's	Vons Gas
Marshalls	Walmart
Mountain View Chevrolet	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$8,950,779	\$9,107,202
County Pool	1,028,347	1,117,573
State Pool	9,848	5,165
Gross Receipts	\$9,988,974	\$10,229,939
Less Triple Flip*	\$(2,497,244)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

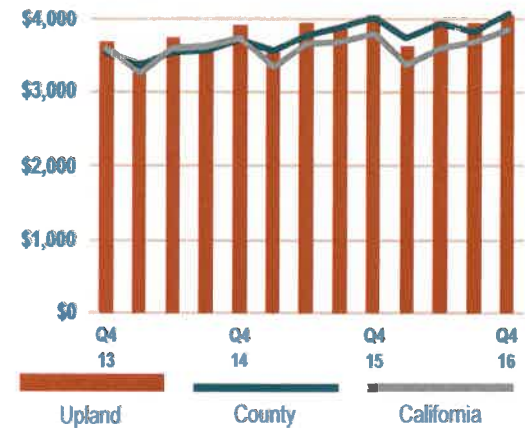
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary "pop-up" shops and subleasing in-store space to others are on the rise.

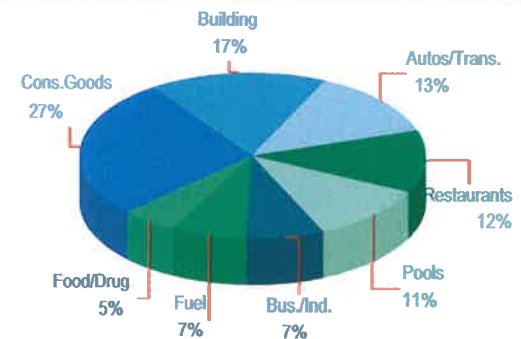
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today's economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Upland This Quarter



UPLAND TOP 15 BUSINESS TYPES

Business Type	Upland		County	HdL State
	Q4 '16*	Change	Change	Change
Building Materials	350.2	5.2%	0.6%	0.7%
Casual Dining	155.7	12.9%	4.6%	2.8%
Contractors	— CONFIDENTIAL —		2.1%	-0.1%
Convenience Stores/Liquor	65.0	3.4%	7.1%	4.8%
Department Stores	— CONFIDENTIAL —		2.3%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —		-0.6%	-0.6%
Electronics/Appliance Stores	84.0	-10.5%	2.9%	-1.3%
Family Apparel	69.8	4.1%	5.2%	4.7%
Grocery Stores	85.0	0.0%	9.2%	4.1%
Light Industrial/Printers	57.7	15.0%	21.0%	-0.8%
New Motor Vehicle Dealers	292.8	-9.9%	6.8%	5.6%
Quick-Service Restaurants	193.9	2.8%	8.3%	5.7%
Service Stations	231.7	-7.0%	1.7%	-1.0%
Specialty Stores	158.5	3.6%	3.6%	3.6%
Sporting Goods/Bike Stores	70.8	28.2%	7.3%	0.7%
Total All Accounts	3,087.0	0.7%	1.9%	2.4%
County & State Pool Allocation	388.4	1.6%	2.8%	6.9%
Gross Receipts	3,475.3	0.8%	2.0%	3.0%